



THE ARIZONA DISTRICT OFFICE

DISPATCH

Information for the Small Business Community

March 2007

"SBA – Your Small Business Resource"

U.S. Small Business Administration

Arizona District Office
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DIRECTOR'S MESSAGE

The U.S. Small Business Administration (SBA) is committed to help small business owners and potential entrepreneurs succeed. From start-up through expansion, we provide the tools for success. In that light, the Arizona District Office is pleased to present the Arizona Dispatch, a monthly newsletter designed to help the small business owner find the resources necessary to succeed and prosper.

SBA's staff members, based in Phoenix, Show Low, and Tucson, are available to assist with your challenges. SBA resource partners throughout the state include Small Business Development Centers and SCORE Chapters. Both offer free one-on-one business counseling and often host seminars on specific business topics of interest. Check our website at www.sba.gov/az for contact information and a calendar listing when business training events may be available in your area.



SBA Arizona Staff:

Robert Blaney (seated) from left to right – Mike Hull, Jerry Dukauskas, Danine Dolphin, Shivani Desai, Gail Hanson, Cathy Lease, Anita Gibson, Stephen Hart, Bruce Hodgman, Paul Hagemaster, Gail Howe, Jim Pipper, Fernando Delarosa, Tracey Brown, Luz Guerrero

SBA not only helps small business through counseling but also by guaranteeing loans through banks. As a result of guaranteeing small business loans, banks are more likely to make money available to small business borrowers. Last year in Arizona, SBA guaranteed over \$1 billion in small business loans. The ripple effect of that in-flow of dollars into the local economy is estimated at over \$21.4 billion.

SBA is here to help. Please feel free to reach out and take advantage of our many resources and programs.

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Continued:

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Did You Know?

* SBA Arizona set a new record when our lending programs had the highest first quarter in the history of the District Office when we hit \$256 million and 736 loans for the quarter ending December 31, 2006.

* Two-thirds of new employer establishments survive at least two years and 44 percent survive at least four years.

* Women owned 6.5 million businesses that generated \$940.8 billion in revenues, employed 7.1 million workers, and had \$173.7 billion in payroll in 2002.

* According to the SBA Office of Advocacy, Arizona has 449,600 small businesses based on the most recent data.

* The Advocacy Office also states: "Entrepreneurs, innovators, and small businesses are key players in the economy of Arizona... their contribution is indispensable."

SBA Advice: How to Start a New Business

Starting and managing a business takes motivation, desire and talent. It also takes research and planning. Like a chess game, success in small business starts with decisive and correct opening moves. And, although initial mistakes are not fatal, it takes skill, discipline and hard work to regain the advantage.

To increase your chance for success, take the time up front to explore and evaluate your business and personal goals. Then use this information to build a comprehensive and well-thought-out business plan that will help you reach these goals.

The process of developing a business plan will help you think through some important issues that you may not have considered yet. Your plan will become a valuable tool as you set out to raise money for your business. It should also provide milestones to gauge your success.

The SBA, through a relationship with *My Own Business*, offers a special online course on how to get started with a small business. Visit the Web site at http://www.myownbusiness.org/course_sba.html.

Before starting out, list your reasons for wanting to go into business. Some of the most common reasons for starting a business are wanting to be your own boss, wanting to attain financial independence, wanting more creative freedom

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SUCCESS STORY: SBA Loans Help Build Winning Business

FAIRYTALE BROWNIES

You could probably call it a fairytale. Boy meets girl in kindergarten. They remain friends through their early years and vow in high school to be together again after he goes to Stanford University and she heads to the University of Southern California. Years later after successful careers in the corporate world, they meet again to renew their love -- for brownies.

Eileen Spitalny and David Kravetz grew up in Phoenix where he often shared his mother's homemade brownies with her. It was love at first bite. They made a pledge in high school to go into business together and share their love for brownies and chocolate with the world.

When they finally gave up their successful careers in 1993 – he was with Proctor & Gamble, she worked in television – they created Fairytale Brownies. With a \$14,000 investment and a secret recipe from David's mother, they baked brownies in a caterer's kitchen and used volunteers, including David's wife, Mandy, to participate in street fairs and farmer's markets to share the gourmet brownie experience with anyone who wanted to try one. And the customers liked what they tasted from the company's first baker, Eileen's husband, Michael. A soft,
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SBA EVENTS:

April 4, 2007

Selling to the Federal Government at ASBA in Phoenix. Contact Luz Guerrero 602-745-7232

April 10, 2007

Selling to the Federal Government at Pima Community College Small Business Development Center, Tucson. Contact Pima 520-206-6404

For a calendar of business training events put on by SBA's resource partners throughout the state visit www.sba.gov/az and navigate to the events calendar.

SBA RESOURCE PARTNERS:

SCORE

SCORE, "Counselors to America's Small Business" is a national organization of volunteers that offers free confidential one-on-one business counseling. For a chapter and counselors in your area consult www.score.org and enter your zip code.

SMALL BUSINESS DEVELOPMENT CENTERS

Small Business Development Centers are allied with community colleges throughout the state. The centers offer free confidential one-on-one business counseling and often offer seminars on business related topics. For information on a center in your area consult www.asbdc-us.org and select Arizona.

WOMEN'S BUSINESS CENTERS

There are two Women's Business Centers in the state. Each offers counseling and mentoring services to small businesses and counsels both men and women. Both are also micro-lenders offering loans from \$100 to \$35,000.

Phoenix: Self Employment Loan Fund, 1601 N. 7th St., Suite 340 Phoenix, AZ 85006 (ph) 602-340-8834
www.selfloanfund.org

Tucson: Microbusiness Advancement Center, 330 N. Commerce Park Loop, Suite 160 Tucson, AZ 85745 (ph) 520-620-1241
www.mac-sa.org

Fairytale Brownies continued:

chewy brownie made from the finest ingredients: Callebaut Belgian dark chocolate, premium Grade AA butter, farm-fresh eggs and fluffy cake flour.

Not long after Fairytale started, the company moved to a 1,000 square-foot facility in Scottsdale and remained there until they moved to a 2,000 square-foot property a year later. As the business began to grow, Fairytale started shipping brownies by the dozen directly to doorsteps across America. With a bit of luck and foresight, the company was the original buyer of the Internet domain, brownies.com. Today, more than 50 percent of all orders – about 35 percent of the company's revenue – come through the Web site.

Sales volume growth has been represented by significant milestones: \$1 million gross in 1997, \$5 million in 2002, and \$10 million projected in 2007. Three U.S. Small Business Administration loans over a ten-year period in the amounts of \$100,000, \$150,000 and \$250,000 have been used to finance and achieve Fairytale's goals and growth. An SBA 504 loan was taken out in 2005 to acquire land and construct a 37,000 square-foot building in Chandler which will house baking, sales and office operations under one roof.

From one baker in 1993, Fairytale now employs about 30 year-round team members and about 80 during the holiday peak season. From the beginning, Eileen and David wanted Fairytale to be a company where they would feel comfortable working. Fairytale has a \$100 empowerment policy which authorizes any employee to spend up to that amount to make a customer happy. Cash bonuses and awards to team members for various reasons – meeting productivity goals, attendance, years of service, birthdays – are also paid out during the year. All businesses face adversity and Fairytale Brownies is no exception. In addition to a forced relocation one year when a landlord wanted to move in a new tenant, the company faced a far more serious threat in the fall of 2004. The holiday season can be a make-or-break time for many small businesses that sell products especially popular this time of the year. A number of problems associated with the firm's new delivery software

Fairytale Brownies continued:

popped up and some shipments either went out late, to the wrong address or never went out at all. Eileen and David personally called many customers to apologize for the inconvenience and offered to help resolve problems.

Fairytale Brownies donates products locally to Waste Not and St. Vincent de Paul. They've partnered nationally with KaBOOM!, a non-profit organization whose goal is to help build playgrounds within walking distance from every child in America.

In 2006, Fairytale Brownies won the Arizona Small Business Week Small Business Person of the Year Award.

How to Start a Business continued:

and wanting to be able to fully exploit your talents and skills.

Next you need to determine what business is "right for you." Ask yourself a few questions, such as:

- * What do I like to do with my time?
- * What technical skills have I learned or developed?
- * What do others say I am good at?



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- * How much time do I have to run a successful business?
- * Do I have any hobbies or interests that are marketable?

Then you should identify the niche your business will fill. Conduct the necessary research to answer these questions:

- * Is my idea practical and will it fill a need?
- * What is my competition?
- * What is my business advantage over existing firms?
- * Can I deliver a better quality service?
- * Can I create a demand for your business?

The final step before developing your plan is the pre-business checklist. You should answer these questions:

- * What business am I interested in starting?
- * What services or products will I sell?
- * Where will I be located?
- * What skills and experience do I bring to the business?
- * What will be my legal structure?
- * What will I name my business?
- * What equipment or supplies will I need?
- * What insurance coverage will be needed?
- * What financing will I need?
- * What are my resources?
- * How will I compensate myself?

Your answers will help you create a focused, well-researched business plan that should serve as a blueprint. It should detail how

the business will be operated, managed and capitalized.

For a broad discussion on start-up business topics, visit the SBA Web site at http://www.sba.gov/starting_business/index.html. For a free online start-up guide, visit http://www.sba.gov/starting_business/startup/guide.html.

Homebased Sole Proprietors Generate \$102 Billion In Annual Revenue

America's homebased sole proprietors generate \$102 billion in annual revenue, according to a study released by the Office of Advocacy of the U.S. Small Business Administration. The study details revenues, expenses, and income for both homebased and non-homebased sole proprietors by industrial sector.

"Sole proprietorships are a vital part of our economy," said Thomas M. Sullivan, Chief Counsel for Advocacy. "Many are homebased micro businesses; collectively they generate a significant amount of economic activity. For the average sole proprietor, their business provides benefits of entrepreneurship that go beyond just income and revenue."

The report presents a comparison of homebased and non-homebased sole proprietorships. For example, it finds that the average homebased sole proprietor earned \$22,569 in net income while their non-homebased counterparts earned \$38,243. www.sba.gov/advo